

# RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

## Draft Letter of Appointment for Independent Director

[Date]

To,

[Name and Address of Independent Director]

### **Sub: Appointment as an Independent Director on the Board of the Company**

This has reference to letter no.....dated ..... received from the Ministry of Chemicals and Fertilizers, Department of Fertilizers (DoF) communicating your appointment as an Independent Director on the Board of Rashtriya Chemicals and Fertilizers Limited (RCF/the Company), as per the directives of the President of India. A copy of the said communication is also marked to you by DoF.

This letter of appointment is being issued in terms of Schedule IV read with Section 149(8) of the Companies Act, 2013 (Act), subject to the following terms and conditions, which shall also be subject to other applicable provisions of the Act:

1. Appointment
  - 1.1 In terms of above letter read with Section 149 and 152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 ('Rules'), you are appointed as a Non-Executive Independent Director on the Board of Directors of the Company for a period of three years w.e.f. .... or until further order, whichever is earlier.
  - 1.2 As an Independent Director, you will not be liable to retire by rotation.
2. Training and Development
  - 2.1 The Company shall provide you a suitable training to familiarize with the Company, the role, rights, responsibilities of the Independent Director in the Company, nature of the industry in which the Company operates, business model of the Company etc.

### 3. Board Committees

Apart from the existing Committee Membership held by you, you may be nominated on one or more committees of the Board that may be set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations. The Board may reconstitute the composition of any/all Committees, from time to time, and any such change shall be promptly communicated to you.

### 4. Board's expectation from ID

Position of Independent Director is a very important position in the Company. In order to derive optimally from the rich experience of an Independent Director, the Board expects the following from an Independent Director:

- a) to keep in mind the best interests of the Company, its stakeholders, its employees, the community and for the protection of the environment;
- b) to demonstrate high ethical standards and integrity in personal and professional dealings;
- c) to think, speak and act independently with confidence and courage and be critical and responsive to change;
- d) to prepare for each Board and its committees and maintaining an excellent Board and committee meeting attendance record;
- e) to the extent possible, to demonstrate a reasonable level of financial literacy and to know how to read financial statements, and understand the use of financial ratios and other indices for evaluating company performance; and
- l) to comply with all duties, functions, roles and obligations under applicable laws including the Companies Act and the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations).

### 5. Official Position

Although your position in the Company is that of an 'officer' in terms of section 2(59), you shall not be an 'officer in default' in terms of section 2(60) of the Act. However, in terms of the provisions under section 149(12) of the Act, you shall be held liable in respect of such acts of omission or commission by the Company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance or where you had not acted diligently.

Further, this letter of appointment does neither envisage employee – employer relationship nor constitute any contractual obligation between you and the Company.

6. Role, Duties & Liabilities

6.1 The duties and liabilities that come with your appointment would be as per the provisions of Act including Rules made there under and other laws applicable to the Company, Company's policies, Code of Conduct adopted by the Board of Directors for Directors.

6.2 You will apply the highest standards of confidentiality, and not disclose to any person or company (whether during the course of the tenure as Non-Executive Independent Director or at any time after its cessation), any confidential information concerning the Company and any Group Companies with which you come into contact by virtue of your position as a Director, except as permitted by law or with prior clearance from the Board of Directors.

6.3 As a Non-Executive Independent Director you have the same legal responsibilities to the Company as any other Director, except that you shall be held liable only in respect of such acts of omission or commission by a company which had occurred with your knowledge, attributable through board processes and with your consent or connivance or where you had not acted diligently.

6.4 You will adhere to the following duties of directors, which are more specifically stipulated in Section 166 of the Act–

- a. To act in accordance with the provisions of Articles of the Company subject to the provisions of this Act;
- b. To act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;
- c. To exercise the duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- d. Not to involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company;
- e. Not to achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates; and
- f. Not to assign director's office.

## 7. Fees and reimbursement of expenses

- 7.1 As an Independent Director, you shall be paid sitting fees of Rs.30,000/- per meeting for attending Board Meetings and Rs.25,000/- per meeting for attending committee meetings or such other fees as may be fixed by the Board from time to time for attending the meetings of the Board and of the Committees of which you are a member. Sitting fees are subject to deduction of tax at source.
- 7.2 Company will arrange for economy class air travel tickets on the shortest sector between the location of your residence and the location of meeting. In addition, local transport facility will be provided by the Company. In case you are required to travel from / to a location other than the location of your residence, suitable air travel tickets will be arranged upon your specific request in writing with reason to the Company.
- 7.3 The Company will bear / reimburse all incidental expenses incurred in your role as a Director for attending the Board / Committee meetings including local travel expenses, boarding and lodging expenses. However, the reimbursements are subject to submission of necessary vouchers, bills, documents or self certificate, as may be required.

## 8. Relatives

You shall ensure that none of your relatives shall have any pecuniary relationship or transaction with the Company or its holding, subsidiary or associate company or their promoters or directors, amounting to two percent or more of its gross turnover or total income or Rs. 50 lacs or such higher amount as may be prescribed under the Companies Act, whichever is lower, during the two immediately preceding financial years or during the current financial year.

## 9. Submission of statutory Forms

You are required to submit –

- (a) notice of interest or concern in other entities in terms of Section 184(1) of the Act in Form MBP-1.
- (b) declaration to the Board that you meet the criteria of independence specified under Section 149(6) of the Act, read with relevant rules, and the SEBI(LODR) Regulations in terms of Section 149(7) of the Act.
- (c) your affirmation on the compliance report with the Code of Conduct and Business Ethics for Board Members and Senior Management' on an

annual basis in terms of Regulation 26(3) of the SEBI (LODR) Regulations and CG Guidelines.

- (d) Compliance Report in Form V as provided under "RCF Code of Conduct to Regulate, Monitor and Report Trading by Insider".

## 10. Confidentiality and Competitive Business

10.1 In your role as an Independent Director you will be in possession of confidential information about the Company and its affairs primarily by way of agenda notes and proceedings of the meetings of Board / Committee(s). You shall use such information for the performance of your duties as a Director or as required under law and you shall not use the same to gain advantage for yourself or others, or to the detriment of the Company.

10.2 In view of the sensitive and confidential nature of the Company's business involving national security you agree that so long as you are an Independent Director of the Company you will not, without the consent of the Board, which shall not be withheld unreasonably, be engaged or interested in any capacity in any business or with any company which is, in the reasonable opinion of the Board, competitive with the business of the Company or its subsidiaries, affiliates or associate companies. In the event that you become aware of any potential conflicts of interest, the same shall be disclosed to the Chairperson and to the Company Secretary immediately.

## 11. Resignation and Termination

You may resign as an Independent Director of the Company at any time and should you wish to do so, you are requested to serve a written notice stating the reasons for resignation. Your appointment may also be terminated in accordance with the provisions under the Articles of Association and / or the Act on certain specified occasions or by an order issued by the Government of India to that effect.

## 12. Conflict of Interest:

12.1 You are requested to declare any business interest in the other company in the form of directorships, appointments and interest to the Board in writing in the prescribed form, from time to time.

12.2 In the event that your circumstances seem likely to change and might give rise to conflict of interest or when applicable, circumstances that might lead the Board to reverse its judgment that you are independent, this should be disclosed to the Board of Directors of the Company.

13. Governing Law

Your appointment is governed by and will be interpreted in accordance with the enactments of the Republic of India and the directives issued by the Government Authorities including Department of Fertilizers, SEBI, Department of Public Enterprises and Ministry of Corporate Affairs.

14. Miscellaneous

14.1 This letter constitutes the entire terms and conditions of your appointment. The Company has a right to change the terms of this letter from time to time in accordance with applicable laws.

14.2 The terms and conditions of this letter along with your detailed profile shall be made publicly available by the Company in accordance with the provisions of the Act and the Listing Regulations.

We request you to confirm the above terms and conditions by signing and returning the duplicate copy of this letter.

Yours sincerely

**For Rashtriya Chemicals and Fertilizers Limited**

(.....)

**Company Secretary**

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ACKNOWLEDGEMENT

I hereby confirm and agree to the afore-mentioned terms and conditions of my appointment as an Independent Director on the Board of RCF.

Date

(.....)  
**Independent Director**

**Schedule IV**

**[See section 149(8)]**

**CODE FOR INDEPENDENT DIRECTORS**

*The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.*

**I. Guidelines of professional conduct:**

An independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a *bona fide* manner in the interest of the company;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the company in implementing the best corporate governance practices.

**II. Role and functions:**

The independent directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. bring an objective view in the evaluation of the performance of board and management;

3. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5. safeguard the interests of all stakeholders, particularly the minority shareholders;
6. balance the conflicting interest of the stakeholders;
7. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
8. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties :**

The independent directors shall—

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the company;
6. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7. keep themselves well informed about the company and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
10. ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

12. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

#### **IV. Manner of appointment:**

1. Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
2. The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
3. The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils 8 the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
4. The appointment of independent directors shall be formalized through a letter of appointment, which shall set out:
  - a) the term of appointment;
  - b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - d) provision for Directors and Officers (D and O) insurance, if any;
  - e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - f) the list of actions that a director should not do while functioning as such in the company; and
  - g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
5. The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
6. The terms and conditions of appointment of independent directors shall also be posted on the company's website.

**V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

**VI. Resignation or removal:**

1. The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
2. An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
3. Where the company fulfills the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**VII. Separate meetings:**

1. The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
2. All the independent directors of the company shall strive to be present at such meeting;
3. The meeting shall:
  - a) review the performance of non-independent directors and the Board as a whole;
  - b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

1. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
2. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

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**CORPORATE GOVERNANCE**

**CODE OF CONDUCT FOR DIRECTORS**

The Code of Conduct for Directors (Code) has been made in line with the requirement of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and good Corporate governance practice.

Rashtriya Chemicals and Fertilizers Ltd (hereinafter referred to as “Company” ) is committed to maintaining the highest standards of ethical conduct. This Code reflects the principles of behavior that support this commitment. The Board of Directors is responsible for setting the standards of conduct contained in the Code and for updating these standards as appropriate in accordance with the legal and regulatory requirements. Each Director has to read and understand this Code and its application to the performance of his or her responsibilities. As per the requirement of SEBI /Companies Act, each Director is accountable for adherence to this Code.

(i) Board or Board of Directors or Directors shall mean and include all the Directors, on the Board of Directors of the Company for the time being whether, Executive or non-Executive or whether the Director is independent or non-Independent and, for the purpose of applicability of the Code, includes Senior Management Personnel.

(ii) Senior Management Personnel : shall mean all Executives (other than Directors) of the Company who are part of the core management team and include all functional Heads, as may be decided by the Company.

(iii) Company, or RCF shall mean Rashtriya Chemicals and Fertilizers Ltd.

**2.0 Applicability:**

This Code is applicable to all Directors and Senior Management and shall come into effect from 1st April, 2005. The Code may be modified, changed, altered or amended from time to time.

**3.0 RCF Employees' ( Conduct, Discipline & Appeal ) Rules 1993**

Board of Directors of RCF have framed RCF Employees (Conduct, Discipline and Appeal) Rules 1993, applicable to all employees of the company. The said Rules, and any modifications and amendments thereto, are also applicable to Executive Directors as appropriate. This Code is in addition to the said Rules including changes and amendments thereto.

#### **4.0 Compliance with the code**

Every Director has to affirm the compliance with the Code on annual basis, which shall form the basis for the certification by CMD in the Annual Reports of the Company.

#### **5.0 Compliance Officer**

The Company has designated the Company Secretary as its Compliance Officer to administer this Code. Directors, at their discretion, may make any report or complaint provided for in this Code to the Chairman and Managing Director or to the Compliance Officer. The Compliance Officer will refer complaints submitted, as appropriate, to the CMD.

#### **6.0 Compliance With Applicable Laws**

Directors must comply with all of the laws, rules, and regulations applicable to the Company and its business.

This Code does not summarize all laws, rules, and regulations applicable to the Company or its business. The Company will provide to the Directors, copies of the various guidelines and materials it has prepared on specific laws, rules, and regulations. Directors should consult with the CMD or the Compliance Officer if they have questions about laws that they think may be applicable to the Company.

#### **7.0 Conflicts Of Interest**

A “conflict of interest” may exist whenever the interests of a Director conflict in any way (or even appear to conflict) with the interests of the Company. While the Directors should be free to make personal investments in accordance with the Company’s Code of Insider Trading , they must not have any interests that adversely influence the performance of their responsibilities. A conflict situation can arise when a Director takes actions or has interests that may make it difficult to perform his or her Company responsibilities objectively. Conflicts of interest also may arise when a Director, or a member of his or her family, receives improper personal benefits as a result of his or her relation with any business entity whether received from that entity or a third party. Gifts above a value of Rs 500, or loans to, or guarantees of obligations of, Directors, or their family members from such third parties may create conflicts of interest. Except as may be approved by the Board, Directors are prohibited from (a) taking personal benefits by depriving any opportunities that belong to the Company or (b) competing with the Company. (c ) using corporate property, information, or position for personal gain. It is the Company’s policy to prohibit such conflicts, which at many times may not be clear-cut. If the Directors have a question, in respect of a situation they are requested to consult the CMD or the Compliance Officer. Any Director who becomes aware of a conflict or potential conflict should bring it to the attention of the CMD or the Compliance Officer.

#### **8.0 Confidentiality**

All Directors must maintain the confidentiality of confidential information entrusted to them by the Company. The Directors shall not disclose such information to any third party, except when the Company authorizes disclosure or when such disclosure is needed under any legal requirements. The term “confidential information” includes,

but is not limited to, non-public information that might be of use to competitors of the Company, or harmful to the Company or its customers if disclosed. Whenever required, Directors should consult the CMD or the Compliance Officer if they believe they have a legal obligation to disclose confidential information.

## **9.0 Fair Dealing**

In accordance with the assigned functional responsibilities, each Director should deal fairly with the Company's customers, suppliers, competitors, officers, and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice. Inappropriate use of proprietary information, misusing trade secret information or inducing such disclosures by past or present employees is prohibited. Under the Companies Act, a Director must perform his or her duties in good faith, acting honestly, free from the intention to defraud.

## **10.0 Protection And Proper Use Of Company's Assets**

All Directors should perform their duties in a manner that protects the Company's assets and ensures their efficient use. All Company's assets should be used for its legitimate business purposes.

## **11.0 Complaints**

The Chief Vigilance Officer (CVO) is responsible for instituting appropriate procedures for the receipt, retention, and treatment of complaints. CVO is a permanent invitee to the Audit Committee meetings. Directors who have concerns or complaints regarding any matters are requested to send their concerns or complaints to the CMD or CVO or Compliance Officer who shall treat such complaints as confidential.

## **12.0 Reporting Any Illegal Or Unethical Behaviour**

Directors are requested to promptly contact the CMD or the Compliance Officer if it is believed that he or she has observed illegal or unethical behaviour by any employee, officer, or Director, or by anyone purporting to be acting on the Company's behalf and, the reporting Director has any doubt about the best course of action in a particular situation.

## **13.0 Amendment, Modification**

This Code may be amended, modified, or waived by the Board, subject to the disclosure and other provisions of the Listing Agreement issued by Stock Exchanges pursuant to the directions of SEBI, and any rules made in connection therewith.

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